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IN THE

Supreme Court of the United States

OCTOBER TERM, A. D. 1944.

No. 763

THE KELLING NUT CO., A CORPORATION,
Petitioner,

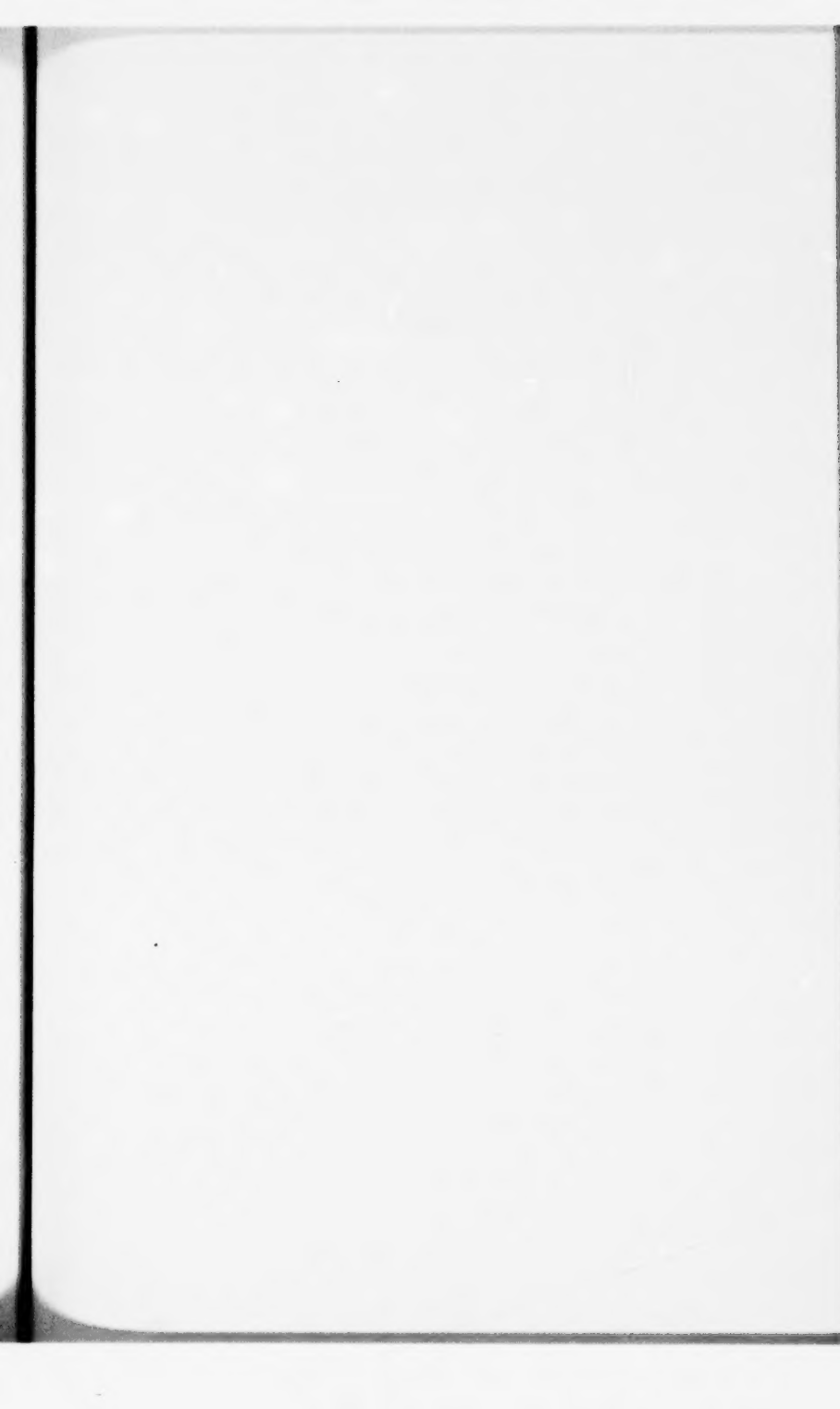
vs.

NATIONAL NUT COMPANY OF CALIFORNIA,
A CORPORATION,
Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED
STATES CIRCUIT COURT OF APPEALS, FOR THE NINTH CIR-
CUIT, AND BRIEF IN SUPPORT THEREOF.

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COLLINS MASON,
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PORT THEREOF.**

PETITION FOR WRIT OF CERTIORARI.

*To the Honorable, the Chief Justice and Associate Justices
of the Supreme Court of the United States:*

Your petitioner, The Kelling Nut Company, respectfully prays for a writ of certiorari to the United States Circuit Court of Appeals for the Ninth Circuit, to review a judgment entered by that court August 28, 1944 (without opinion), dismissing petitioner's appeal (R. 83). The appeal was prosecuted to reverse an order refusing peti-

tioner (defendant in the trial court) the right to be reimbursed for costs and expenses aggregating nearly \$40,000 incurred during twenty months of patent litigation, in a case in which respondent, owner of a broadened reissue patent, was permitted to dismiss without prejudice for the stated purpose of carrying on further litigation in a subsequent suit brought in the District Court in Chicago. October 23, 1944 petition for rehearing was denied, with an opinion placing the dismissal on the ground (never advanced by respondent) that the appeal from the trial court's order "attempted" merely a "collateral attack" on the order appealed from (R. 90, 91). A petition for leave to file a second petition for rehearing, challenging the extraordinary technicality first indicated by the opinion of October 23rd, was denied November 9, 1944.

SUMMARY STATEMENT OF MATTER INVOLVED.

Respondent, owner of a broadened reissue patent covering a nut toasting machine, the users of which had to buy the nuts for the machines from the respondent, has had one or more suits charging infringement of its patent continuously pending since 1935. This, its fourth suit, was filed in Los Angeles August 4, 1941 (R. 50). There ensued considerable activity, including depositions by both parties, but the case was not tried (R. 54). After it had been pending over twenty months (and petitioner had spent just under \$40,000 in connection with its defense (R. 54), respondent moved to dismiss without prejudice (R. 30)—having in the meantime filed its fifth suit in Chicago April 21, 1943, naming petitioner and nine others as defendants and attempting to set up approximately five different causes of action (R. 56).

Petitioner moved for an injunction restraining the new Chicago action because it involved some of the same issues. Respondent then moved to dismiss without prejudice. Petitioner opposed this motion, and also urged that it be reimbursed for its costs and expenses if dismissal was permitted (R. 30).

The trial court first said orally that the "costs and expenses * * * would have to be allowed" (R. 31), then entered an order requiring presentation of a motion to the Chicago court in the new action for a determination of petitioner's costs and expenses, but, if that court declined to hear the motion, "then to this Court, upon proper notice to plaintiff for determination pursuant to Rule 41a(2)" (R. 36, 37). Jurisdiction to entertain such a motion was retained. But, finally, February 7, 1944, the trial court entered the order appealed from, denying petitioner's motion for costs (filed September 9, 1943 (R. 39)) "without prejudice" (R. 42)—empty words, for the order provided

that the petitioner could not even ask for *leave to renew* its motion for costs until the new action in Chicago had been tried or the trial thereof "unreasonably" delayed (R. 42).

Petitioner's appeal was met with a motion to dismiss on the grounds that the order was not final, was only discretionary—in either of these events not appealable—and that any right petitioner had to appeal related only to the dismissal decree, not to the order refusing to hear and determine petitioner's costs.

The court below granted the motion to dismiss without opinion, but on rehearing handed down an opinion. This indicated that the court was not out of sympathy with petitioner's contention that the trial court had abused its discretion but avoided the issue by announcing (for the first time) that the notice of appeal brought up only the paragraph of the order "denying the motion"—an astonishing and incorrect interpretation not even urged by respondent. On this erroneous premise the Court of Appeals concluded that petitioner might not "collaterally" attack that part of the order barring renewal of its motion until after the Chicago action was tried, although the court clearly indicates that it had grave doubt about the propriety of that order (R. 89, 90).

The opinion of the Court of Appeals thus obscures important questions under the Federal Rules of Civil Procedure by resort to obsolete formalism—a construction clearly contrary to the spirit and to express requirement of the rules, as well as to the interpretation thereof adopted by other Circuit Courts of Appeals. It thereby enables a patentee which has kept its patent in litigation in one way or another since 1935 to harass this petitioner with successive suits without at the least being required first to reimburse it for the very large expenses to which petitioner was subjected in the Los Angeles action. Every consideration of public policy demands a reversal of the judgment below.

STATEMENT OF MATTER INVOLVED.

The foregoing summary statement is probably too concise to reflect adequately the harassment to petitioner that has resulted from respondent's insatiable appetite for litigation. The simple fact is that, from respondent's point of view, this appeal is but an incident of litigation which respondent has kept going in one form or another, in one court or another, since 1935, to establish alleged rights under a patent for a nut toasting machine granted May 13, 1934, and the broadened reissue thereof applied for January 15, 1936 and granted June 30, 1936.

One phase of respondent's multifarious litigation was before this Court in *Sontag Chain Stores, Ltd. v. National Nut Company of California*, 310 U. S. 281. This Court there found that the defense of intervening rights had been properly sustained by the district court, and that "respondent was moved to obtain the reissue by petitioner's use of the accused machine * * *. The enlarged claims were presented with knowledge of the accused machine and definite purpose to include it" (310 U. S. 282, 293).¹

In the instant case respondent alleged that petitioner's accused machine is "in all respects substantially the same" as the one involved in the *Sontag case* (R. 4), and claimed the alleged benefit of the Ninth Circuit Court of Appeals' decision of validity, which was not reviewed by this Court in that proceeding.² The defense of intervening rights was also pleaded by this petitioner in the instant case (R. 24).

1. On the basis of respondent's pleading in the instant case (R. 4) and in the *Chicago case* (R. 61), the *Sontag case* may be regarded as a related action, although petitioner controverts the conclusions of both pleadings.

2. Of course, this Court's reversal of the judgment also wiped out the Circuit Court of Appeals' decision on validity (*Corning, et al v. Troy Iron and Nail Factory*, 56 U. S. 451; *Butler v. Eaton*, 141 U. S. 240).

Respondent's business is "the sale of edible nuts to retail dealers and the supplying of dispensing equipment therefor" (R. 57). In the *Sontag case* respondent's president testified in answer to questions by the court, and without qualification, that its "machines are not sold but put out on a rental basis; that the rental varies from half a cent to two cents a pound on the nuts used in the machines. *The stores have to buy the nuts from us to use in our machine*" (R. 103, 104 of No. 671, October term, 1939; emphasis supplied). Such arrangements were condemned by this court in *Morton Salt Co. v. E. H. Suppiger Company*, 314 U. S. 488, as an unlawful extension of the patent monopoly. This court also there said that the prosecution of an infringement suit "even against one who is not a competitor in such sale is a powerful aid to the maintenance of the attempted monopoly of the unpatented article, and is thus a contributing factor in thwarting the public policy underlying the grant of the patent" (314 U. S. 488, 493).

Petitioner, which does not consider respondent a competitor, amended its answer after the decision in the *Morton Salt case* and the accompanying *B. B. Chemical case* (314 U. S. 495) to set up the defense thus made available to it (R. 28). The history of respondent's litigating activities will demonstrate the necessity for applying the policy of Rule 41 (a) (2) so as to be consistent with, and not defeat, the policy announced by these decisions.

The cases first instituted by respondent, disposed of by this Court's decision in the *Sontag case*, were filed October 19, 1935 (on the original patent), and January 26, 1937 (on the reissue patent). While these cases, filed in San Francisco against a *user*, were on their way up, an action instituted by respondent early in February, 1937, in the District Court in Chicago against Susu Nut Company, the *manufacturer* of the machine involved in the *Sontag* suit

was also pending (R. 33, 53). Despite the pendency of that action in Chicago against a defendant there domiciled, respondent on August 4, 1941 filed the instant action (its fourth) against this petitioner in Los Angeles, although, as respondent alleges, petitioner is also domiciled in Chicago (R. 50, 57), and respondent in Oakland (R. 2). Morris Rose, a Los Angeles user of a machine manufactured by petitioner, was also named a defendant.

April 21, 1943 respondent filed yet another action (the fifth) in the District Court in Chicago against petitioner and nine other defendants (three identified only as "John Doe Company", "John Doe", and "Richard Roe"), and including the defendant in the case which had been pending in Chicago since 1937, the manufacturer of the machine involved in the Sontag litigation (R. 56).

Respondent then moved for a consolidation of the case at bar (pending in Los Angeles) with the new action in the Chicago District Court, obviously a frivolous motion.³ Since the new suit involved some of the same issues as the case at bar, petitioner asked that plaintiff be enjoined from prosecuting the new Chicago action while the instant case was pending.⁴

Upon the argument of these two motions the motion to consolidate was denied, and respondent moved orally for dismissal without prejudice "and with costs to abide the outcome of the new action in Chicago" (R. 30, 51). The trial court stated that the costs and expenses "would have to be allowed" (R. 31).

3. There is neither statute, rule, nor decision to support it: on the contrary (*U. S. v. Silverburgh Construction Co.*, 10 F. Supp 121).

4. A motion supported by the overwhelming weight of authority; e. g., *Milwaukee Gas Specialty Co. v. Mercoid Corporation*, (7 Cir.), 104 F. 2d, 587; *In Re Georgia Power Co.*, (5 Cir.), 89 F. 2d, 218; *Crosley Corporation v. Hazeltine Corporation*, (3 Cir.), 122 F. 2d, 925.

June 2, 1943 a decree was entered providing that the dismissal without prejudice was "with costs to be hereafter determined upon motion presented to the United States District Court, for the Northern District of Illinois, Eastern Division, or if said court declines to hear said motion, then to this court," and reserving jurisdiction to hear and entertain such motion (R. 35).

June 22, 1943 (on respondent's motion) a modified decree of dismissal was entered, vacating the original, but again providing that the question of petitioner's costs and expenses should be determined upon motion in the Chicago District Court for determination under Rule 41(d), "or, if such court shall decline to hear said motion, then to this court, upon proper notice to plaintiff for determination pursuant to Rule 41(a)(2)" (R. 36, 37). Jurisdiction was again retained.

Respondent made a motion in the Illinois court with respect to costs (R. 52), which was denied November 16, 1943 (R. 53). Petitioner made no such motion but did move for an order in that subsequent action staying all proceedings until the costs in the dismissed Los Angeles action were determined and paid, which was denied September 30, 1943 (R. 52, 53).

Prior thereto, on September 9, 1943, petitioner filed several motions in the Los Angeles court, stating to the court that it had filed no motion with respect to costs in the Chicago court because that court was without jurisdiction of the subject matter⁵, and seeking modification of the dis-

5. Unquestionably the law: *Coburn v. Schroeder*, 8 Fed. 522; *Wilner v. United States*, (7 Cir.), 68 F. (2d) 442, 445; *National S. S. Co. v. Tugman*, 2 Cir., 82 F. 246, 248; *Rand v. Nash*, 51 Pac. (2d) 296, 298; *Baronne Building, Inc. v. Mahoney*, 132 So. 795, 796; *Perlus v. Silver*, 128 Pac. 661, 663; *State, ex rel. v. Broad River Power Co.*, 162 S. E. 74, 91; *British & South American Steam Navigation Co. v. D. L. & W. R. Co.*, 195 Fed. 984.

missal decree of June 22, 1943, so as to remove from it the condition precedent resulting from the abortive reference of the matter of costs to the Chicago court. At that time petitioner also presented its bill of costs and expenses, moved for their determination, and moved for an order restraining respondent from proceeding in the new Chicago action until those costs and expenses were determined and paid. September 27, 1943, the trial judge, the Honorable J. F. T. O'Connor, took these motions under advisement "until the Illinois court, which now has this matter under submission, renders its decision" (R. 52).

February 7, 1944, the trial court entered an order denying a belated motion of respondent's for vacation of the decree of dismissal of June 22, 1943, and also denying petitioner's motion for determination and taxation of defendant's litigation costs and expenses against respondent. This denial of petitioner's motion was stated to be without prejudice, but the condition thereof was that in the event the new Chicago action "is tried and submitted without unreasonable delay, the defendant may thereafter renew its said motion and in the event of unreasonable delay in the trial and submission of such action, then upon due notice to plaintiff, defendant may apply to this court for leave to renew its said motion" (R. 41, 42).

The appeal to the court below was prosecuted from this new order, which the court below correctly stated modified the decree of dismissal. Because it was an order ruling upon motions of both parties, the notice of appeal states that the appeal is "from the portion of the judgment entered in this cause on February 7, 1944, denying the motion of this defendant for a determination and taxation of its costs and expenses against plaintiff" (R. 43).

The original order dismissing the appeal was without opinion (R. 83). On rehearing an opinion was handed

down finding that petitioner's contention that the district court had abused its discretion in postponing the determination of petitioner's costs and expenses until after the trial of the new Chicago action "well could have been presented on appeal from the judgment on June 22, 1943, and possibly from the modification on February 7, 1944" (R. 90).

The decision below is predicated upon an erroneous construction of the notice of appeal, resulting from failure to understand that the order dealt with two motions. The court below did not concur in any of the grounds asserted by respondent in support of its motion, but on the contrary it refused to accept those grounds and at least by implication characterized them as erroneous and insufficient. The alleged insufficiency of the notice of appeal was not urged by respondent at any time.

Jurisdiction.

Jurisdiction in this court is invoked under Section 240 (a) of the Judicial Code, as amended by the Act of February 13, 1925, 28 U. S. C. A. 347 (a).

Petition for rehearing was denied October 23, 1944 (R. 87).

Opinion Below.

The only opinion of the court below was on rehearing. It is found at page 87 of the record. It is not yet reported.

Questions Presented.

This petition presents the following questions:

1. An important question of Federal law which has not been but should be passed upon by this court is whether a litigant who chooses to drop one patent suit and start another in another circuit against the same defendant may

be permitted, under Rule 41(a)(2) of the Federal Rules of Civil Procedure, to dismiss without prejudice and without being required to reimburse the defendant for the costs and expenses incurred by it in the dismissed action, although by reason of the dismissal those expenditures have been for naught.

2. In the case at bar this general question becomes the specific inquiry: Whether a trial court, after granting plaintiff's motion to dismiss without prejudice, conditioned on the payment of costs and expenses to be thereafter determined upon a specific contingency, may subsequently, after the contingency has occurred, refuse to entertain defendant's motion for the allowance of costs and expenses until the termination of another suit instituted by plaintiff in another jurisdiction, including substantially the same but also additional issues, and naming several defendants in addition to the principal defendant in the dismissed action.

3. In considering the designation of the portion of the order appealed from, pursuant to Rule 73 (b) of the Federal Rules of Civil Procedure, may the court adopt a construction (not urged by appellee) of such a nature as will defeat the appeal, or must the court adopt a reasonable construction which will give effect to the appeal and which will follow the injunction of Rule 1 of the Federal Rules of Civil Procedure that "they shall be construed to secure the just, speedy and inexpensive determination of every action."

REASONS RELIED ON FOR ALLOWANCE OF THE WRIT.

1. The first and most obvious reason is that the scope of discretion under Rule 41(a)(2) is an important question of Federal law which has not been but should be passed

upon by this court. The instant case is a glaring example of how a district court, by disregard of well established principles, has effectively rendered the rule wholly worthless.

2. To the extent that the granting of the motion to dismiss sanctions the action of the District Court, it is clearly in conflict with the decisions of other Circuit Courts of Appeals.

3. The ultimate recourse of the Court of Appeals to an utterly unnecessary and apochryphal technicality in the construction of petitioner's notice of appeal is in the teeth of the spirit of the Federal Rules of Civil Procedure and a flat refutation of their intended abolishment of formalism. This also involves an important question of construction of the Rules not heretofore passed on by this Court but clearly in conflict in principle with the decisions of other Circuit Courts of Appeals.

WHEREFORE, your petitioner respectfully prays that a writ of certiorari be issued under the seal of this court directed to the United States Circuit Court of Appeals, for the Ninth Circuit, commanding that court to certify and send to this court on a day to be designated a full and complete transcript of the record and all proceedings of said Circuit Court of Appeals had in this cause, to the end that this cause may be reviewed and determined by this court; that the judgment of said Circuit Court of Appeals be reversed; and that your petitioners be granted such other and further relief as may seem just and proper.

Respectfully submitted,

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